

【Document to be filed】 Quarterly Financial Report
【Provisions to base upon】 Article 24-4-7, paragraph 1 of the Financial Instruments and Exchange Act
【Filing to】 Director-General of the Kanto Local Finance Bureau
【Date of filing】 November 12, 2021
【Fiscal Period】 2nd quarter of 75th term (from July 1, 2021 to September 30, 2021)
【Company name】 HIROSE ELECTRIC CO., LTD.
【Title and name of representative】 Kazunori Ishii, President
【Location of head office】 2-6-3 Nakagawa Chuoh, Tsuzuki-Ku, Yokohama, Kanagawa, Japan
【Telephone number】 +81-45-620-7410
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【Telephone number】 +81-45-620-7410
【Contact person】 Keiji Hara, General Manager of Accounting Department
【Place where the document to be filed is available for public inspection】 Tokyo Stock Exchange, Inc.
(2-1, Nihonbashi-kabutocho, Chuo-ku, Tokyo, Japan)

【Company Information】

1. Overview of the Company

1. Changes in major management indicators

(Yen in millions)

| | 74th Fiscal Term Consolidated First Half | 75th Fiscal Term Consolidated First Half | 74th Fiscal Term |
|--|---|---|---|
| Fiscal period | From April 1, 2020 to September 30, 2020 | From April 1, 2021 to September 30, 2021 | From April 1, 2020 to March 31, 2021 |
| Revenue (Second quarter from July 1 to Sep 30) | 61,036 (33,636) | 79,188 (40,745) | 133,538 |
| Quarterly profit before tax or profit before tax | 12,887 | 20,384 | 28,332 |
| Quarterly profit attributable to owners of parent (Second quarter from July 1 to Sep 30) | 9,338 (4,921) | 14,797 (8,111) | 19,916 |
| Quarterly comprehensive income attributable to owners of parent | 9,918 | 14,132 | 28,431 |
| Equity attributable to owners of parent | 311,706 | 321,338 | 326,092 |
| Total Assets | 348,072 | 365,731 | 370,504 |
| Quarterly earnings per share -basic (Yen) (Second quarter from July 1 to Sep 30) | 257.48 (135.70) | 414.96 (229.48) | 549.10 |
| Quarterly earnings per share -diluted (Yen) | 257.48 | 414.85 | 549.04 |
| Ratio of total equity attributable to owners of parent (%) | 89.6 | 87.9 | 88.0 |
| Cash flows from operating activities | 15,300 | 20,116 | 35,818 |
| Cash flows from investing activities | (8,472) | 13,649 | (20,702) |
| Cash flows from financing activities | (4,754) | (19,277) | (9,278) |
| Balance of cash and cash equivalents at end of the quarter | 52,892 | 72,415 | 57,837 |

(Notes) 1. We prepare the condensed quarterly consolidated financial statements, and the transition of the major management indicators are not included.

2. The financial data above are based on the condensed quarterly consolidated financial statements and consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS).

3. “Diluted quarterly earnings per share” is listed at the same price as “Basic quarterly earnings per share”, because there were no potential shares with dilutive effect in the first half of the 74th fiscal term.

2. Description of Business

There were no significant changes in our business during the first half of the fiscal year ending March 31, 2022.

There were also no changes in major subsidiaries.

2. Business Overview

1. Risk Factors

Regarding the business and financial situation stated in this report, there were no matters that may have significant impact on the investment decision and no significant changes in the risk factors stated in the annual securities report for the previous fiscal year during the six months ended September 30, 2021.

There were no material events.

2. Management Analysis of Financial Position, Operating Results and Cash Flows

Forward-looking statements below were determined as of September 30, 2021.

(1) Overview of Operating Results

In the first half of the fiscal year ending March 31, 2022, due to the spread of COVID-19 and repeated state of emergency, consumer spending has still been sluggish. However mainly in manufacturing industry, the business sentiment has been improved because overseas economy has been recovering and exports have been increasing. Business situation varies depending on industry sector and the difference is becoming clear.

In overseas market, COVID-19 vaccination has been progressing. In Europe and the United States, activity restriction was lifted and the economy has been recovering. In China, although recovery speed has decreased because of some concerns about overinvestment, the economy has been strong.

Under this situation, Hirose group has been expanding global business mainly for consumer market, automotive market and industrial market, and promoting reinforcement of development, sales and production system for new products with highly added value to respond advanced market needs quickly. The sales for mainly consumer electronics, automotive and industrial business has grown. As a result, revenue in the first half increased by 29.7% to JPY 79,188 million compared to the same period of the previous fiscal year. Operating profit increased by 53.5% to JPY 19,792 million, and quarterly profit attributable to owners of parent increased by 58.5% to JPY 14,797 million as compared with the first half of fiscal 2020.

The business results by reportable segments are as stated below.

[Multi-pin connectors]

Our flagship multi-pin connectors include a variety of connector types such as circular connectors, rectangular connectors, connectors for ribbon cables, connectors for printed circuit boards, connectors used for FPCs (flexible printed circuits boards) and nylon connectors. This kind of connectors are used widely, such as for smartphones, tablet PC, communication equipment, automotive electronics, measuring and control equipment, FA equipment, and medical electronics equipment, as well as other industrial equipment. We expect that demands for this connectors will grow associated with progress of advanced information and telecommunications network society, and energy saving society considering environment in the future. Segment sales for the first half of the fiscal year ending March 31, 2022 increased by 30.4% to JPY 71,038 million, operating profit increased by 50.6% to JPY 18,320 million compared with the first half of the fiscal 2020.

[Coaxial connectors]

Coaxial connectors are a special type of high-performance connector used primarily for microwave and other high-frequency signals. This is used mainly for microwave communication device, satellite communication device, electronic measuring instruments, smartphone and 4K/8K broadcasting equipment. Optical fiber connectors and coaxial switches are also included in this segment. Segment sales for the first half of the fiscal 2021 increased by 23.1% to JPY 5,663 million. Operating profit increased by 103.4% to JPY 1,430 million.

[Other products]

This segment includes micro switches and instruments for connectors. Segment sales for the first half of the fiscal 2021 increased by 26.9% to JPY 2,487 million, operating profit increased by 44.5% to JPY 42 million.

(2) Overview of Cash Flows

Cash and cash equivalents at the first half of the fiscal year ending March 31, 2022 increased by JPY 14,578 million to JPY 72,415 million compared to the end of the fiscal year ended March 31, 2021.

a. Cash flows from operating activities

Cash flows from operating activities increased by JPY 20,116 million. (In the fiscal 2020.1H, it increased by JPY 15,300 million.) This increase was mainly due to a rise in capital by appropriating quarterly profit before tax, JPY 20,384 million, and depreciation and amortization, JPY 8,292 million.

b. Cash flows from investing activities

Cash flows from investing activities increased by JPY 13,649 million. (In the fiscal 2020.1H, it decreased by JPY 8,472 million.) This is mainly due to proceeds from net decrease in time deposits, JPY 15,778 million, and proceeds from sale and redemption of investments, JPY 8,325 million.

c. Cash flows from financing activities

Cash flows from financing activities decreased by JPY 19,277 million. (In the fiscal 2020.1H, it decreased by JPY 4,754 million.) This is because of decrease in capital by payment for share buy-back, JPY 14,575 million and dividends paid, JPY 4,354 million.

(3) Analysis of financial condition

Total assets of FY2021.2Q decreased by JPY 4,772 million to JPY 365,731 million compared to the end of the previous consolidated fiscal year mainly because other financial assets decreased. Total liabilities decreased by JPY 18 million to JPY 44,393 million due to the decrease in income taxes payable. Although quarterly profit was recorded and retained earnings increased, treasury shares increased because of off-auction own share repurchase and other components of equity including foreign currency translation adjustment decreased. As a result, total equity decreased by JPY 4,754 million to JPY 321,338 million. The ratio of total equity attributable to owners of parent resulted 87.9%, decreased by 0.1% compared with the previous consolidated fiscal year end.

(4) Assumptions used for accounting estimates

There are no significant changes in the accounting estimated from “Management Analysis of Financial Position, Operating Results and Cash Flows” stated in the annual securities report of FY 2020 and assumptions used for the estimates.

(5) Research and development

Our research and development expenses for the six months ended September 30, 2021 were JPY 3,846 million. As the achievement of research and development activities, fixed assets including tools appropriated to JPY 1,101 million. When these amount are added up, the total of R&D investment amount was JPY 4,947 million. There were no significant changes in research and development activities for the period.

3. Material Agreements, etc

There were no decision or conclusion of significant business agreement during the three months ended September 30, 2021.

3. Information on the Company

1. Information on the Company's Shares

(1) Total number of shares, etc.

① Total Number of Shares

| Class | Total number of shares authorized to be issued (Shares) |
|----------------|---|
| Ordinary share | 80,000,000 |
| Total | 80,000,000 |

② Issued Shares

| Class | Number of shares issued as of the end of second quarter (Shares) (September 30, 2021) | Number of shares issued as of the filing date (Shares) (November 12, 2021) | Stock exchange on which the Company is listed or authorized financial instruments firms association where the Company is registered | Description |
|----------------|--|---|---|---|
| Ordinary share | 38,175,942 | 38,175,942 | Tokyo Stock Exchange, Inc. (the first section) | The number of shares per unit of shares is 100 shares |
| Total | 38,175,942 | 38,175,942 | — | — |

(Note) The number of shares issued as of the filing date do not include the share issued by share acquisition rights from November 1, 2021 to the filing date of this report.

(2) Information on the share acquisition rights, etc.

① Details of share option plans

Not applicable.

② Other information about share acquisition rights

Not applicable.

(3) Information on Moving Strike Convertible Bonds

Not applicable.

(4) Changes in the total number of shares issued, common stock, etc.

| Date | Change in the total number of issued shares (Shares) | Balance of the total number of issued shares (Shares) | Change in common stock (Yen in millions) | Balance of common stock (Yen in millions) | Change in capital reserve (Yen in millions) | Balance of capital reserve (Yen in millions) |
|---|--|---|--|---|---|--|
| From July 1, 2021 to September 30, 2021 | — | 38,175,942 | — | 9,404 | — | 12,007 |

(5) Information on voting rights

① Issued shares

(As of September 30, 2021)

| Classification | Number of shares (Shares) | Number of voting rights | Description |
|---|---|-------------------------|---|
| Shares without voting rights | - | - | - |
| Shares with restricted voting rights (treasury shares, etc) | - | - | - |
| Shares with restricted voting rights (others) | - | - | - |
| Shares with full voting rights (treasury shares, etc.) | (treasury shares) Ordinary share 2,818,600 | - | Standard stocks which there is no restriction on contents of the right of the stock |
| Shares with full voting rights (others) | Ordinary share 35,285,700 | 352,857 | Same as above |
| Shares less than one unit | Ordinary share 71,642 | - | Same as above |
| Number of issued shares | 38,175,942 | - | - |
| Total number of voting rights | - | 352,857 | - |

(Notes) 1. The ordinary shares in “Shares with full voting rights (others)” includes 10,000 shares (the number of voting rights: 100) corresponding to the Company’s shares owned by the Board Incentive Plan trust in which beneficiaries include directors and executive officers.

2. The ordinary shares in “Shares less than one unit” includes 59 shares registered in the name of Japan Securities Depository Center.

3. The ordinary shares in “Shares less than one unit” includes 75 treasury shares held by HIROSE group.

② Treasury Shares and Others

(As of September 30, 2021)

| Name of shareholder | Address | Number of shares held under own name (Shares) | Number of shares held under the name of others (Shares) | Total number of shares held (Shares) | Ownership percentage to the total number of issued shares (%) |
|--------------------------------------|--|---|---|--------------------------------------|---|
| (Treasury shares) HIROSE ELECTRIC | 2-6-3 Nakagawa Chuoh, Tsuzuki-Ku, Yokohama, Kanagawa | 2,818,600 | - | 2,818,600 | 7.38 |
| Total | - | 2,818,600 | - | 2,818,600 | 7.38 |

Notes: The above list does not include the Company’s shares owned by the Board Incentive Plan trust in which beneficiaries include directors and executive officers.

2. Information of the board members

Not applicable.

4. Financial Information

1. Condensed Quarterly Consolidated Financial Statements

(1) Condensed Quarterly Consolidated Statements of Financial Position

(Yen in millions)

| | Note | As of March 31, 2021 | As of September 30, 2021 |
|-------------------------------|------|----------------------|--------------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 10 | 57,837 | 72,415 |
| Trade and other receivables | 10 | 36,620 | 41,177 |
| Inventories | | 16,915 | 17,550 |
| Other financial assets | 10 | 131,274 | 115,902 |
| Other current assets | | 5,401 | 3,718 |
| Total current assets | | 248,047 | 250,762 |
| Non-current assets | | | |
| Property, plant and equipment | | 61,182 | 59,369 |
| Right-of-use assets | | 4,357 | 4,606 |
| Intangible assets | | 3,295 | 3,519 |
| Other financial assets | 10 | 48,918 | 42,951 |
| Deferred tax assets | | 2,515 | 2,435 |
| Retirement benefit assets | | 1,780 | 1,721 |
| Other non-current assets | | 410 | 368 |
| Total non-current assets | | 122,457 | 114,969 |
| Total assets | | 370,504 | 365,731 |

(Yen in millions)

| | Note | As of March 31, 2021 | As of September 30, 2021 |
|---|------|----------------------|--------------------------|
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 10 | 19,511 | 19,837 |
| Lease liabilities | | 821 | 846 |
| Other financial liabilities | 10 | 102 | 179 |
| Income taxes payable | | 6,532 | 5,233 |
| Other current liabilities | | 5,046 | 5,437 |
| Total current liabilities | | 32,012 | 31,532 |
| Non-current liabilities | | | |
| Lease liabilities | | 3,581 | 3,821 |
| Other financial liabilities | 10 | 134 | 108 |
| Retirement benefit liability | | 320 | 325 |
| Deferred tax liabilities | | 7,616 | 7,855 |
| Other non-current liabilities | | 749 | 752 |
| Total non-current liabilities | | 12,400 | 12,861 |
| Total liabilities | | 44,412 | 44,393 |
| Equity | | | |
| Share capital | | 9,404 | 9,404 |
| Common surplus | | 11,230 | 11,231 |
| Retained earnings | | 317,265 | 327,679 |
| Treasury shares | 6 | (21,874) | (36,412) |
| Other components of equity | | 10,067 | 9,436 |
| Total equity attributable to owners of parent | | 326,092 | 321,338 |
| Total equity | | 326,092 | 321,338 |
| Total liabilities and equity | | 370,504 | 365,731 |

(2) Condensed Quarterly Consolidated Statement of Profit or Loss
(For the six months ended September 30, 2020 and 2021)

(Yen in millions)

| | Note | For the first half of the year ended March 31, 2021 (From April 1, 2020 to Sep 30, 2020) | For the first half of the year ending March 31, 2022 (From April 1, 2021 to Sep 30, 2021) |
|---|------|--|---|
| Revenue | 8 | 61,036 | 79,188 |
| Cost of sales | | 35,172 | 43,343 |
| Gross profit | | 25,864 | 35,845 |
| Selling, general and administrative expenses | | 14,499 | 16,113 |
| Other income | | 1,732 | 153 |
| Other expenses | | 204 | 93 |
| Operating profit | | 12,893 | 19,792 |
| Financial income | | 518 | 628 |
| Financial costs | | 524 | 36 |
| Quarterly profit before tax | | 12,887 | 20,384 |
| Income tax expense | | 3,549 | 5,587 |
| Quarterly profit | | 9,338 | 14,797 |
| Quarterly profit attributable to: Owners of parent | | 9,338 | 14,797 |
| Quarterly Earnings per share: | | | |
| Basic (yen) | 9 | 257.48 | 414.96 |
| Diluted (yen) | 9 | 257.48 | 414.85 |

(For the three months ended September 30, 2020 and 2021)

(Yen in millions)

| | Note | For the second quarter of the year ended March 31, 2021 (From July 1, 2020 to Sep 30, 2020) | For the second quarter of the year ending March 31, 2022 (From July 1, 2021 to Sep 30, 2021) |
|---|------|---|--|
| Revenue | 8 | 33,636 | 40,745 |
| Cost of sales | | 19,272 | 22,165 |
| Gross profit | | 14,364 | 18,580 |
| Selling, general and administrative expenses | | 7,372 | 7,900 |
| Other income | | 142 | 67 |
| Other expenses | | 137 | 49 |
| Operating profit | | 6,997 | 10,698 |
| Financial income | | 182 | 270 |
| Financial costs | | 384 | 28 |
| Quarterly profit before tax | | 6,795 | 10,940 |
| Income tax expense | | 1,874 | 2,829 |
| Quarterly profit | | 4,921 | 8,111 |
| Quarterly profit attributable to: Owners of parent | | 4,921 | 8,111 |
| Quarterly Earnings per share: | | | |
| Basic (yen) | 9 | 135.70 | 229.48 |
| Diluted (yen) | 9 | 135.70 | 229.42 |

(3) Condensed Quarterly Consolidated Statement of Comprehensive Income
(For six months ended September 30, 2020 and 2021)

(Yen in millions)

| | Note | For the first half of the year ended March 31, 2021 (From April 1, 2020 to September 30, 2020) | For the first half of the year ending March 31, 2022 (From April 1, 2021 to September 30, 2021) |
|---|------|--|---|
| Quarterly profit | | 9,338 | 14,797 |
| Other comprehensive income | | | |
| Items that will not be reclassified to profit or loss | | | |
| Remeasurements of defined benefit plans | | — | (35) |
| Equity instruments measured at fair value through other comprehensive income | | (298) | 381 |
| Total items that will not be reclassified to profit or loss | | (298) | 346 |
| Items that may be reclassified to profit or loss | | | |
| Exchange differences on translation of foreign operations | | 854 | (1,024) |
| Debt instruments measured at fair value through other comprehensive income | | 24 | 13 |
| Total items that may be reclassified to profit or loss | | 878 | (1,011) |
| Total other comprehensive income after tax | | 580 | (665) |
| Total quarterly comprehensive income | | 9,918 | 14,132 |
| Total amount of quarterly comprehensive income attributable to: | | | |
| Owners of parent | | 9,918 | 14,132 |

(For three months ended September 30, 2020 and 2021)

(Yen in millions)

| | Note | For the second quarter of the year ended March 31, 2021 (From July 1, 2020 to September 30, 2020) | For the second quarter of the year ending March 31, 2022 (From July 1, 2021 to September 30, 2021) |
|---|------|---|--|
| Quarterly profit | | 4,921 | 8,111 |
| Other comprehensive income | | | |
| Items that will not be reclassified to profit or loss | | | |
| Equity instruments measured at fair value through other comprehensive income | | (777) | 524 |
| Total items that will not be reclassified to profit or loss | | (777) | 524 |
| Items that may be reclassified to profit or loss | | | |
| Exchange differences on translating foreign operations | | 300 | (1,330) |
| Debt instruments measured at fair value through other comprehensive income | | 12 | (0) |
| Total items that may be reclassified to profit or loss | | 312 | (1,331) |
| Total other comprehensive income after tax | | (465) | (807) |
| Total quarterly comprehensive income | | 4,456 | 7,304 |
| Total amount of quarterly comprehensive income attributable to: | | | |
| Owners of parent | | 4,456 | 7,304 |

(4) Condensed Quarterly Consolidated Statement of Changes in Equity

(Yen in millions)

| | Note | Share capital | Capital surplus | Retained earnings | Treasury shares | Other components of equity | Total equity attributable to owners of parent | Total equity |
|---|------|---------------|-----------------|-------------------|-----------------|----------------------------|---|--------------|
| Balance as of April 1, 2020 | | 9,404 | 11,293 | 308,343 | (24,456) | 1,557 | 306,141 | 306,141 |
| Quarterly profit | | | | 9,338 | | | 9,338 | 9,338 |
| Other comprehensive income | | | | | | 580 | 580 | 580 |
| Total of quarterly comprehensive income | | — | — | 9,338 | — | 580 | 9,918 | 9,918 |
| Dividend of surplus | 7 | | | (4,352) | | | (4,352) | (4,352) |
| Purchase of treasury shares | | | (0) | | (3) | | (3) | (3) |
| Disposal of treasury shares | | | 0 | | 1 | | 1 | 1 |
| Cancellation of treasury shares | 6 | | (2,381) | | 2,381 | | — | — |
| Transfer to retained earnings | 6 | | 2,373 | (2,373) | | | — | — |
| Total transactions with owners | | — | (8) | (6,724) | 2,379 | — | (4,354) | (4,354) |
| Balance as of September 30, 2020 | | 9,404 | 11,285 | 310,957 | (22,077) | 2,137 | 311,706 | 311,706 |

(Yen in millions)

| | Note | Share capital | Capital surplus | Retained earnings | Treasury shares | Other components of equity | Total equity attributable to owners of parent | Total equity |
|---|------|---------------|-----------------|-------------------|-----------------|----------------------------|---|--------------|
| Balance as of April 1, 2021 | | 9,404 | 11,230 | 317,265 | (21,874) | 10,067 | 326,092 | 326,092 |
| Quarterly profit | | | | 14,797 | | | 14,797 | 14,797 |
| Other comprehensive income | | | | | | (665) | (665) | (665) |
| Total of quarterly comprehensive income | | — | — | 14,797 | — | (665) | 14,132 | 14,132 |
| Dividend of surplus | 7 | | | (4,354) | | | (4,354) | (4,354) |
| Purchase of treasury shares | 6 | | (2) | | (14,573) | | (14,575) | (14,575) |
| Disposal of treasury shares | | | 0 | | 34 | | 34 | 34 |
| Share-based payment transactions | | | 9 | | | | 9 | 9 |
| Transfer to retained earnings | | | (6) | (29) | | 35 | — | — |
| Total transactions with owners | | — | 1 | (4,383) | (14,539) | 35 | (18,886) | (18,886) |
| Balance as of September 30, 2021 | | 9,404 | 11,231 | 327,679 | (36,412) | 9,436 | 321,338 | 321,338 |

(5) Condensed Quarterly Consolidated Statement of Cash Flows

(Yen in millions)

| | Note | For the first half of the FY2020 (From April 1, 2020 to September 30, 2020) | For the first half of the FY2021 (From April 1, 2021 to September 30, 2021) |
|--|------|--|--|
| Cash flows from operating activities: | | | |
| Quarterly profit before tax | | 12,887 | 20,384 |
| Depreciation and amortization | | 8,236 | 8,292 |
| Financial income | | (518) | (628) |
| Financial costs | | 524 | 36 |
| Decrease (increase) in trade and other receivables | | (2,960) | (4,450) |
| Decrease (increase) in inventories | | (1,188) | (661) |
| Increase (decrease) in trade and other payables | | 466 | 817 |
| Others | | (1,294) | 2,404 |
| Subtotal | | 16,153 | 26,194 |
| Insurance income | | 1,496 | — |
| Interest received | | 296 | 128 |
| Dividends received | | 183 | 185 |
| Income taxes paid | | (2,828) | (6,391) |
| Net cash provided by operating activities | | 15,300 | 20,116 |
| Cash flows from investing activities | | | |
| Net decrease (increase) in time deposits | | (354) | 15,778 |
| Proceeds from sale and redemption of investments | | 4,679 | 8,325 |
| Purchase of investments | | (5,188) | (2,856) |
| Purchase of property, plant and equipment | | (7,141) | (6,973) |
| Others | | (468) | (625) |
| Net cash used in investing activities | | (8,472) | 13,649 |
| Cash flows from financing activities | | | |
| Purchase of treasury shares | | (3) | (14,575) |
| Dividends paid | | (4,352) | (4,354) |
| Repayments of lease liabilities | | (400) | (391) |
| Others | | 1 | 43 |
| Net cash used in financing activities | | (4,754) | (19,277) |
| Effect of exchange rate changes on cash and cash equivalents | | 257 | 90 |
| Increase (decrease) in cash and cash equivalents | | 2,331 | 14,578 |
| Cash and cash equivalents at the beginning of the year | | 50,561 | 57,837 |
| Cash and cash equivalents at the end of the quarter | | 52,892 | 72,415 |

【Notes to Condensed Quarterly Consolidated Financial Statements】

1. Reporting Entity

HIROSE ELECTORIC is a corporation located in Japan. Our subsidiaries and we manufacture and sell mainly multi-pin connectors, coaxial connectors and other electronic components.

2. The Basis for preparation of the statements

(1) Compliance with IFRS

Our condensed quarterly consolidated financial statements are prepared in accordance with IAS 34 “Interim Financial Reporting” pursuant to the provision of Article 93 of the Regulations for Quarterly Consolidated Financial Statements, as the company meets the criteria of a “Designated IFRS Specified Company” defined in Article 1-2 of the Regulations.

The condensed quarterly consolidated financial statements do not include all the information that must be disclosed in the annual consolidated financial statements, and therefore should be used in conjunction with the consolidated financial statements for the year ended March 31, 2021.

Condensed quarterly consolidated financial statements of the company were authorized by our president, Kazunori Ishii, on November 1, 2021.

(2) Basis of measurement

The condensed quarterly consolidated financial statements have been prepared based on acquisition cost, except for financial instruments measured at fair value, and liabilities and assets for retirement benefits,

(3) Functional currency and presentation currency

The condensed quarterly consolidated financial statements of the company are presented in Japanese yen, which is the functional currency of us, and the amounts are described in unites of JPY 1 million. The amounts are also rounded to the nearest million yen.

3. Significant Accounting Policies

Significant accounting policies applied in the condensed quarterly consolidated financial statements is the same as the policies applied in the consolidated financial statements for the year ended March 31, 2021. Income tax expense for the six months ended September 30, 2021 was calculated based on estimated annual effective tax rate.

4. Significant accounting estimates and judgements

In preparing condensed quarterly consolidated financial statements, adoption of accounting policies, judgement affects the reporting amount of assets, liabilities, income and expenses, accounting quotation and assumptions are used. The company collects past experiences and available information and considered various factors thought as rational at the closing date, and these estimates and assumptions are based on the best judgement of executive. However, the figures based on these estimation and assumptions might be different from the actual result judging from the nature.

We maintain the revision of estimates and the assumptions which could be the basis. We recognize the impact by this revision in the period for revised the estimates and future period.

(1) Significant judgement in application of accounting policies

- Revenue recognition

(2) Issues could be factors of uncertainty of estimates

The assumptions about the future having remarkable risks which may be a factor of significant revision on book value of assets and liabilities after the three months ended September 30, 2021, and the main information regarding uncertainty of other estimates as of the end of the period are included into the following note.

- Matters relating to financial instruments (Notes: 10. Fair values of financial instruments).

Fair values of specific financial instruments are calculated by evaluation technique using unobservable inputs in the

market. Unobservable inputs might be influenced by fluctuations in future uncertain economic conditions.

- Inventory Valuation

Inventory is measured by using cost or net realizable value (which is smaller.) When net realizable value drop because of the decrease in demand affected by the changes in market environment, a loss will be incurred

5. Business Segment

(1) Overview of reportable segments

In the reportable segments of Hirose group, it is possible to acquire isolated financial information among constituent unit of our group. It is also an object being examined on a regular basis to evaluate our decision of resource allocation and business results by the board of directors.

Our business is manufacturing and selling mainly connectors and other products, and we formulate a domestic and global comprehensive strategy for our products and service.

Therefore, Hirose group consists of segments by products based on the shape of connectors. Our reporting segment is “Multi-pin connectors” and “Coaxial connectors”.

“Multi-pin connectors” include circular and rectangular connectors implemented to the outside of devices. They also include connectors implemented internal of the devices, such as connectors for ribbon cables, connectors for printed circuit boards, connectors used for FPCs (flexible printed circuit boards) and nylon connectors.

“Coaxial connectors” are a special type of high-performance connectors connecting high-frequency signals such as microwave, and this segment includes optical fiber connectors.

(2) Information of reportable segments

The revenue stated in reportable segments is operating profit basis.

For the first half of the fiscal year ended March 31, 2021 (from April 1, 2020 to September 30, 2020)

(Yen in millions)

| | Reportable segments | | | Others* | Amount of condensed quarterly consolidated financial statements |
|---------------------------------|----------------------|--------------------|--------|---------|---|
| | Multi-pin connectors | Coaxial connectors | Total | | |
| Revenue | | | | | |
| Revenue from external customers | 54,475 | 4,601 | 59,076 | 1,960 | 61,036 |
| Total revenue | 54,475 | 4,601 | 59,076 | 1,960 | 61,036 |
| Operating profit | 12,161 | 703 | 12,864 | 29 | 12,893 |
| Financial income | — | — | — | — | 518 |
| Financial costs | — | — | — | — | 524 |
| Quarterly profit before tax | — | — | — | — | 12,887 |

**Others” category is not included into reportable segments. “Others” includes micro switches and instruments for connectors.

For the first half of the fiscal year ending March 31, 2022 (from April 1, 2021 to September 30, 2021)

(Yen in millions)

| | Reportable segments | | | Others * | Amount of condensed quarterly consolidated financial statements |
|---------------------------------|----------------------|--------------------|--------|----------|---|
| | Multi-pin connectors | Coaxial connectors | Total | | |
| Revenue | | | | | |
| Revenue from external customers | 71,038 | 5,663 | 76,701 | 2,487 | 79,188 |
| Total revenue | 71,038 | 5,663 | 76,701 | 2,487 | 79,188 |
| Operating profit | 18,320 | 1,430 | 19,750 | 42 | 19,792 |
| Financial income | — | — | — | — | 628 |
| Financial costs | — | — | — | — | 36 |
| Quarterly profit before tax | — | — | — | — | 20,384 |

**Others” category is not included into reportable segments. “Others” includes micro switches and instruments for connectors.

6. Paid-in capital and other equity

Following the resolution of director’s board meeting held on May 28, 2020, we cancelled 205,000 treasury shares as of June 2, 2020. The amount of cancellation was reduced from other capital surplus in “capital surplus” and the amount exceeding other capital surplus was reduced from “retained earnings”.

Following the resolution of director’s board meeting held on May 27, 2021, we acquired 940,000 treasury shares.

As a result, in the first half of FY2021, treasury shares increased by JPY 14,539 million and our treasury shares totaled JPY 36,412 million at the end of the first half of the fiscal year.

7. Dividends

(1) Dividends paid

For the six months ended September 30, 2020 (From April 1, 2020 to September 30, 2020)

| | Total amount of dividends (Yen in millions) | Resource of dividends | Dividends per share (Yen) | Record date | Effective date |
|--|--|-----------------------|------------------------------|----------------|----------------|
| The resolution of the Ordinary General Meeting of Shareholders held on June 26, 2020 | 4,352 | Retained earnings | 120.00 | March 31, 2020 | June 29, 2020 |

For the six months ended September 30, 2021 (From April 1, 2021 to September 30, 2021)

| | Total amount of dividends (Yen in millions) | Resource of dividends | Dividends per share (Yen) | Record date | Effective date |
|--|--|-----------------------|------------------------------|----------------|----------------|
| The resolution of the Ordinary General Meeting of Shareholders held on June 25, 2021 | 4,354 | Retained earnings | 120.00 | March 31, 2021 | June 28, 2021 |

(2) The dividend whose record date falls in the six months ended September 30, 2021 and the effective date falls in the next period

For the six months ended September 30, 2020 (From April 1, 2020 to September 30, 2020)

| | Total amount of dividends (Yen in millions) | Resource of dividends | Dividends per share (Yen) | Record date | Effective date |
|---|--|-----------------------|------------------------------|--------------------|------------------|
| The resolution of the board of directors held on November 2, 2020 | 4,352 | Retained earnings | 120.00 | September 30, 2020 | December 1, 2020 |

For the six months ended September 30, 2021 (From April 1, 2021 to September 30, 2021)

| | Total amount of dividends (Yen in millions) | Resource of dividends | Dividends per share (Yen) | Record date | Effective date |
|---|--|-----------------------|------------------------------|--------------------|------------------|
| The resolution of the board of directors held on November 1, 2021 | 5,657 | Retained earnings | 160.00 | September 30, 2021 | December 1, 2021 |

Notes: Total amount of dividends by the resolution of the board of directors held on November 1, 2021 includes dividends, JPY 2 million corresponding to the Company's shares owned by the Board Incentive Plan trust in which beneficiaries include directors and executive officers.

8. Breakdown of Revenue

The organization of our group is composed based on the types of connectors and the location of our customers. Based on these classification, the board of directors decides the allocation of resources and evaluate business performance.

The relationship between the sales revenue analyzed by the customer's location and the sales revenue in each reportable segments is as below.

For the first half of the fiscal year ended March 31, 2021 (from April 1, 2020 to September 30, 2020)

(Yen in millions)

| | | Reportable Segments | | Others | Total |
|-------------------|--------|----------------------|--------------------|--------|--------|
| | | Multi-pin connectors | Coaxial connectors | | |
| Customer location | Japan | 13,090 | 993 | 282 | 14,365 |
| | China | 21,357 | 1,258 | 165 | 22,780 |
| | Korea | 6,732 | 431 | 1,413 | 8,576 |
| | Others | 13,296 | 1,919 | 100 | 15,315 |
| Total | | 54,475 | 4,601 | 1,960 | 61,036 |

For the first half of the fiscal year ending March 31, 2022 (from April 1, 2021 to September 30, 2021)

(Yen in millions)

| | | Reportable Segments | | Others | Total |
|-------------------|--------|----------------------|--------------------|--------|--------|
| | | Multi-pin connectors | Coaxial connectors | | |
| Customer location | Japan | 18,379 | 1,095 | 348 | 19,822 |
| | China | 26,835 | 1,454 | 235 | 28,524 |
| | Korea | 8,098 | 532 | 1,732 | 10,362 |
| | Others | 17,726 | 2,582 | 172 | 20,480 |
| Total | | 71,038 | 5,663 | 2,487 | 79,188 |

In Japan, we sell circular and rectangular connectors, connectors for printed circuit boards and connectors for automotive, and major customers are in mainly general industrial and automotive market.

In China, our main products are connectors for printed circuit boards and coaxial connectors, and the main customers are smartphone and consumer manufacturers.

In Korea, our main products are connectors for printed circuit boards, rectangular connectors, connectors for automotive, coaxial connectors and other electronic equipment. The main customers are in smartphone, consumer and automotive market. Regarding other area, we sell various connectors including connectors for printed circuit boards to the customers located in Europe, North America and other Asian countries.

9. Earnings per Share

| | For the six months ended September 30, 2020 <small>(From Apr 1, 2020 to Sep 30, 2020)</small> | For the six months ended September 30, 2021 <small>(From Apr 1, 2021 to Sep 30, 2021)</small> |
|---|---|---|
| The basis of calculation for quarterly earnings per share -basic | | |
| Quarterly profit attributable to owners of parent | <small>(Yen in millions)</small> 9,338 | <small>(Yen in millions)</small> 14,797 |
| Quarterly profit used for calculation of basic quarterly earnings per share | <small>(Yen in millions)</small> 9,338 | <small>(Yen in millions)</small> 14,797 |
| Weighted average shares during the period | <small>(Thousand Shares)</small> 36,267 | <small>(Thousand Shares)</small> 35,659 |
| Quarterly earnings per share – basic | <small>(Yen)</small> 257.48 | <small>(Yen)</small> 414.96 |
| The basis of calculation for quarterly earnings per share -diluted | | |
| Quarterly profit used for the calculation of basic quarterly earnings per share | <small>(Yen in millions)</small> 9,338 | <small>(Yen in millions)</small> 14,797 |
| Quarterly profit used for the calculation of diluted quarterly earnings per share | <small>(Yen in millions)</small> 9,338 | <small>(Yen in millions)</small> 14,797 |
| Weighted average shares during the period | <small>(Thousand Shares)</small> 36,267 | <small>(Thousand Shares)</small> 35,659 |
| Number of shares increased by stock acquisition right | <small>(Thousand Shares)</small> — | <small>(Thousand Shares)</small> 9 |
| Weighted average shares-Diluted | <small>(Thousand Shares)</small> 36,267 | <small>(Thousand Shares)</small> 35,668 |
| Diluted quarterly earnings per share | <small>(Yen)</small> 257.48 | <small>(Yen)</small> 414.85 |

| | For the three months ended September 30, 2020 (From Jul 1, 2020 to Sep 30, 2020) | For the three months ended September 30, 2021 (From Jul 1, 2021 to Sep 30, 2021) |
|---|--|--|
| The basis of calculation for quarterly earnings per share -basic | | |
| Quarterly profit attributable to owners of parent | (Yen in millions) 4,921 | (Yen in millions) 8,111 |
| Quarterly profit used for calculation of basic quarterly earnings per share | (Yen in millions) 4,921 | (Yen in millions) 8,111 |
| Weighted average shares during the period | (Thousand Shares) 36,267 | (Thousand Shares) 35,346 |
| Quarterly earnings per share – basic | (Yen) 135.70 | (Yen) 229.48 |
| The basis of calculation for quarterly earnings per share -diluted | | |
| Quarterly profit used for the calculation of basic quarterly earnings per share | (Yen in millions) 4,921 | (Yen in millions) 8,111 |
| Quarterly profit used for the calculation of diluted quarterly earnings per share | (Yen in millions) 4,921 | (Yen in millions) 8,111 |
| Weighted average shares during the period | (Thousand Shares) 36,267 | (Thousand Shares) 35,346 |
| Number of shares increased by stock acquisition right | (Thousand Shares) — | (Thousand Shares) 9 |
| Weighted average shares-Diluted | (Thousand Shares) 36,267 | (Thousand Shares) 35,355 |
| Diluted quarterly earnings per share | (Yen) 135.70 | (Yen) 229.42 |

(Note) 1. Diluted quarterly earnings per share for the six months and three months ended September 30, 2020 is stated at the same amount as basic quarterly earnings per share, since there are no potential shares with dilutive effect.

2. At the calculation of basic quarterly earnings per share and diluted quarterly earnings per share, we process the Company's shares owned by the Board Incentive Plan trust in which beneficiaries include directors and executive officers as treasury shares and this kind of shares are deducted from weighted average shares during the period.

10. Fair Values of Financial Instruments

(1) Method of measuring fair values

(Cash and cash equivalents, trade and other receivables, trade and other payables)

Since these subjects are settled in a short term, book value is rational approximate value of fair values.

(Other financial assets, other financial liabilities)

In other financial assets, time deposits which term exceeds three months are usually settled within a year, and the book value is rational approximate value of fair values.

When there is an active market, the equity instruments are measured using published market price. If there is no active market, it is mainly measured by Net Asset Approach.

Regarding debt instruments, if there is an active market, it is measured using published market price. If there is no active market, it is measured using observable postulate including credit rating or discount rate.

Derivatives are assessed based on forward exchange rate, etc.

(2) Financial instruments measured by amortized cost

Fair values of financial instruments measured by amortized cost are as below.

Financial instruments which book value is a rational approximate value of fair value are not included below table.

(Yen in millions)

| | As of March 31, 2021 | | As of September 30, 2021 | |
|------------------------|----------------------|------------|--------------------------|------------|
| | Book Value | Fair Value | Book Value | Fair Value |
| Other Financial Assets | | | | |
| Debt Instruments | 10,594 | 10,594 | 8,832 | 8,832 |

(3) Financial instruments measured at fair value

① The fair value hierarchy

Financial instruments measured at fair values are classified into 3 levels.

Level 1: Unadjusted quoted prices for identical assets or liabilities in active markets

Level 2: Fair values calculated using observable value directory or indirectly except for Level 1.

Level 3: Fair values calculated by measurement including unobservable inputs.

The levels of the fair value of financial instruments measured at fair value are as follows.

In the fiscal year ended March 31, 2021 (As of March 31, 2021)

(Yen in millions)

| | Level1 | Level2 | Level3 | Total |
|--|--------|--------|--------|--------|
| Other financial assets | | | | |
| Financial assets measured at fair value through profit or loss | | | | |
| Debt instruments | — | 5,282 | — | 5,282 |
| Financial assets measured at fair value through other comprehensive income | | | | |
| Debt instruments | 30,381 | — | — | 30,381 |
| Equity instruments | 13,933 | — | 167 | 14,100 |
| Total of assets | 44,314 | 5,282 | 167 | 49,763 |
| Other financial liabilities | | | | |
| Financial liabilities measured at fair value through profit or loss | | | | |
| Derivatives | — | 236 | — | 236 |
| Total of liabilities | — | 236 | — | 236 |

For three months ended September 30, 2021 (As of September 30, 2021)

(Yen in millions)

| | Level1 | Level2 | Level3 | Total |
|--|--------|--------|--------|--------|
| Other financial assets | | | | |
| Financial assets measured at fair value through profit or loss | | | | |
| Debt instruments | — | 3,375 | — | 3,375 |
| Financial assets measured at fair value through other comprehensive income | | | | |
| Debt instruments | 28,200 | — | — | 28,200 |
| Equity instruments | 14,478 | — | 170 | 14,648 |
| Total of assets | 42,678 | 3,375 | 170 | 46,223 |
| Other financial liabilities | | | | |
| Financial liabilities measured at fair value through profit or loss | | | | |
| Derivatives | — | 287 | — | 287 |
| Total of liabilities | — | 287 | — | 287 |

Transfer between levels of the fair value hierarchy are recognized on the day when the event or change in circumstances that the transfer occurred. There were no transfer between level 1 and level 2 for the year ended March 31, 2021 and for the three months ended September 30, 2021.

② Information on fair value measurement classified into level2 and level3

Debt instruments classified into level2 of the fair value hierarchy are measured using observable postulate including credit rating or discount rate in the market. Derivatives are assessed based on forward exchange rate.

Fair value of equity instruments classified into level3 are mainly assessed by Net Asset Approach. Fair values increase (decrease) along with the rise (decline) in net asset value. Significant changes in fair value are not expected when unobservable inputs are changed to reasonably possible alternative assumptions.

Financial instruments classified into Level3 is measured based on accounting policies of Hirose group and the result of the measurement is approved by a responsible person of administration group.

There are no significant changes in financial assets classified Level3 for the first half of the fiscal 2020 and 2021.

11. Additional Information

The situation affected by COVID-19 has still been quite unclear. However, in Japan, COVID-19 vaccination has been progressing and the number of infected person is decreasing. Because a state of emergency was lifted, economic activity has also been recovering gradually. In overseas, although the number of infected person is decreasing, the momentum of infection spread has been expanding in some areas.

Under this situation, Hirose group are able to operate production and sales activities at almost normal level in each area of all Hirose group as of filing date of this report. Although the market situation will continue being unclear, the demand for electronic components in automotive and industrial market continues to be strong.

We continue our corporate activities on the premise that there is no difficulty in world economic activities, production activities of our group and supply chain including raw material procurement affected by the further spread of COVID-19, because vaccination will be more promoted worldwide in the future.

Based on the forecast stated above, we conducted accounting estimation during the first half of the fiscal 2021. There may be a negative impact on our business continuously depends on the future trend of COVID-19, but we consider that the impact will not be significant influence to the consolidated financial statements.

2. Others

Interim dividend of the fiscal year ending March 2022 was resolved at the board of director's meeting held on November 1, 2021 as follows.

| | |
|---|-------------------|
| 1. Total amount of dividends | JPY 5,657 million |
| 2. Amount per share | JPY 160.00 |
| 3. Effective date of payment request and payment start date | December 1, 2021 |

(English translation)

This is the statement translated into English from the Japanese original of "Quarterly Financial Report for the Second Quarter of the Year Ending March 31, 2022." In the event of any discrepancy between this English translation and the Japanese original, the later shall prevail.